

Message Text

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PAGE 01 STATE 127906
ORIGIN EUR-12

INFO OCT-01 NEA-10 ISO-00 DODE-00 COME-00 PM-04
CIAE-00 INR-07 NSAE-00 IGA-02 /036 R

DRAFTED BY EUR/CE:SMKLINGAMAN:EM
APPROVED BY EUR:RDVINE
EUR/CE:DANDERSON
SAS:SGEIS
DOD/DSAA:GENERAL FISH
DOD/ISA:COL. LOCKLEAR (INFO)
COMMERCE/BIC/SIPS:SLEON
-----030228Z 047130 /66

P R 030018Z JUN 77
FM SECSTATE WASHDC
TO AMEMBASSY VIENNA PRIORITY
INFO AMEMBASSY STOCKHOLM
AMEMBASSY TEL AVIV
AMEMBASSY BERN

C O N F I D E N T I A L STATE 127906

E.O. 11652: GDS

TAGS: MASS, BEXP, BBAK, AU

SUBJECT: SALES PROSPECTS FOR NORTHROP F-5ES TO AUSTRIA

REF: VIENNA 4321

1. EMBASSY SHOULD BE AWARE THAT AUSTRIAN GOVERNMENT PURCHASE OF THE F-5E WOULD CONSTITUTE A SALE OF MAJOR DEFENSE EQUIPMENT IN EXCESS OF 25 MILLION DOLLARS AND ACCORDINGLY WOULD HAVE TO BE MADE THROUGH FMS PROCEDURES.

2. EMBASSY WILL RECALL THAT USG PREVIOUSLY APPROVED THE SALE OF F-5E AIRCRAFT TO AUSTRIA AND ISSUED A LETTER OF CONFIDENTIAL

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OFFER (LOA) FOR THE PURCHASE OF 24 OF THE AIRCRAFT. LOA EXPIRED WHEN AUSTRIA DECIDED TO DELAY ITS NEW FIGHTER PURCHASE. UNDER THE CIRCUMSTANCES, EMBASSY MAY CONTINUE TO ASSIST NORTHROP THROUGH MEASURES SUCH AS ARRANGING MEETINGS WITH GOA OFFICIALS.

3. WE ASSUME AN EMBASSY OFFICER WILL ACCOMPANY GATES ON

CALLS ON DEFENSE, TRADE AND FINANCE MINISTERS. EMBOFF
SHOULD MAKE CLEAR TO AUSTRIANS THAT HE IS PERFORMING ROUTINE

FUNCTION OF FACILITATIVE ASSISTANCE TO MAJOR AMERICAN
FIRM. SHOULD SUBJECT OF POSSIBLE OFFSET ARISE, EMBOFF
IS INSTRUCTED TO MAKE CLEAR THAT ANY OFFSET ARRANGEMENT
WOULD HAVE TO BE AN ARRANGEMENT BETWEEN AUSTRIA AND
NORTHROP AND THAT IT WOULD NOT BE REALISTIC TO EXPECT
ANY USG INVOLVEMENT OR GUARANTEE.

4. FYI; NORTHROP VP GATES AND WASHINGTON REPS WALKER
AND SABATIER RAISED SUBJECT OF OFFSET IN INFORMAL DIS-
CUSSIONS RECENTLY WITH DEPARTMENT (EUR/CE AND PM) OFFICERS
WHO EMPHASIZED THE GREAT DIFFICULTIES EXPERIENCED IN IM-
PLEMENTING THE US-SWISS OFFSET ARRANGEMENT (OF WHICH NOR-
THROP WELL AWARE) AND POLITICAL PROBLEMS THIS HAS CREATED
FOR SWISS GOVERNMENT DOMESTICALLY AND US-SWISS BILATERAL
RELATIONS NOTWITHSTANDING FACT THAT TECHNICALLY IT IS A
"BEST EFFORTS" ARRANGEMENT AND DOES NOT "GUARANTEE" A
SPECIFIED OFFSET. MAJOR PROBLEMS ARE LACK OF COMPETITIVE-
NESS OF SWISS PRODUCTS, SWISS DIFFICULTIES IN MASTERING
USG PROCUREMENT PROCEDURES, RELUCTANCE OF MAJOR SWISS
FIRMS TO UTILIZE THE OFFSET ARRANGEMENT, AND INABILITY OF
THE PRIME CONTRACTOR, WORKING WITH THE SWISS, TO ACHIEVE
SIGNIFICANT OFFSETS. DEPARTMENT OFFICERS EXPRESSED
STRONG DOUBTS THAT AUSTRIA, WITH ITS LIMITED POTENTIAL FOR
INCREASING EXPORTS TO THE US MARKET, WOULD EVEN BE ABLE
TO MATCH THE SWISS OFFSET RECORD. END FYI

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5. AUSTRIAN EMBASSY WASHINGTON HAS NOT RAISED SUBJECT
WITH EITHER STATE OR DOD.
VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SALES, POLICIES, FIGHTER AIRCRAFT, MILITARY SALES
Control Number: n/a
Copy: SINGLE
Sent Date: 03-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE127906
Document Source: CORE
Document Unique ID: 00
Drafter: SMKLINGAMAN:EM
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770197-0818
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770691/aaaadbmc.tel
Line Count: 100
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 219d4685-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 VIENNA 4321
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2279652
Secure: OPEN
Status: NATIVE
Subject: SALES PROSPECTS FOR NORTHROP F-5ES TO AUSTRIA
TAGS: MASS, BEXP, BBAK, AU, US, XX
To: VIENNA
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/219d4685-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009